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Europe

**NORWEGIAN AND SWEDISH PRIME MINISTERS VISIT USSR**

The visits to the Soviet Union early this month by Prime Ministers Gerhardsen of Norway and Erlander of Sweden provided the occasion for an exchange of views with the new Soviet leaders but failed to resolve outstanding issues in the two countries' relations with the USSR.

The Soviets, who extended invitations to the Scandinavian leaders shortly after Khrushchev's ouster, apparently regarded the talks as an opportunity to restate their position on a number of international questions and to emphasize their concern over US actions in Vietnam and the Dominican Republic. On the United Nations, a subject of particular interest to Gerhardsen and Erlander, the Russians apparently were willing to mollify their guests by stating that they favored a strong world organization. They gave no indication, however, of yielding on the questions of financing and arrears.

The Soviets appeared to be the most uncompromising on matters concerning European security. They addressed their harshest remarks to the Norwegians, saying that Norway's membership in NATO precluded closer cooperation between Oslo and Moscow. They maintained that NATO was escalating its war potential and stepping up military activities in Norway.

Using the attack on NATO as a springboard, Premier Kosygin declared that he took a serious view of the proposed European Space Research Organization (ESRO) installation in Svalbard (Spitsbergen) and declined to accept the Norwegian argument that it would be a purely civilian operation. As a gesture to Gerhardsen, Kosygin promised to look into matters of particular interest to Norway, such as developing trade in the northern border area, elimination of prohibitions against photography near the border, and modernizing communications between Norwegian and Soviet border commandants.

The Soviets appear to have been considerably more moderate in their talks with the Swedes--perhaps as a gesture of Moscow's approval of Stockholm's neutral foreign policy. Swedish officials have expressed satisfaction with Erlander's visit, even though they apparently were unable to elicit additional information on Raoul Wallenberg, a Swedish diplomat who disappeared in early 1945 during the Soviet occupation of Budapest. The Wallenberg case has been a major irritant in Swedish-Soviet relations during the postwar years and the subject of more than 50 representations by the Stockholm government to Moscow.

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**POLITICAL TURMOIL IN GREECE CONTINUES**

The political temperature remains high in Greece. Although Prime Minister Papandreou probably will receive the confidence vote he has demanded, this will not submerge the growing split within his Center Union (EK) party or silence the increasingly bitter attacks by the conservative opposition.

Dissatisfaction within the EK arises mainly from the questionable activities of Papandreou's son Andreas and the government's inept handling of a motion to investigate charges of corruption against ex-Premier Karamanlis. Leftist elements within the party are unhappy that the prime minister invoked the statute of limitations so as not to press the charges against Karamanlis, and some 30 deputies refused to follow him in the parliamentary vote on the issue. Their action triggered Papandreou's call for a vote of confidence.

One of the newspapers which strongly supported Papandreou during his troubled first year in office has termed his disposition of the case "neither straightforward, nor serious, nor brave." Conservative EK elements centered around Finance Minister Mitsotakis have become increasingly critical of Andreas Papandreou since the disclosure of the existence of the "ASPIDA" organization--a

left-of-center bloc of military officers close to the younger Papandreou. These elements are maneuvering for support in preparation for a possible contest for power in the event the prime minister falls.

The major opposition party, the conservative National Radical Union, embittered by Papandreou's initial attempts to blacken the reputation of Karamanlis, its former leader, has stepped up its attack on the government. Karamanlis, from his exile in Paris, has accused Papandreou of violating "principles of democracy, morality, and justice." The palace and elements in the military are also disturbed by the ASPIDA affair and by the prime minister's efforts to implicate certain army officers in influencing the results of the elections Karamanlis won in 1961.

there seems little likelihood that an extralegal solution will be attempted at this time. Papandreou's government also seems to retain enough popular support to ride out the political squabbling. The adjournment of parliament for the summer after the vote of confidence, expected by the end of this week, will give him a chance to mend his fences.

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### NEGOTIATIONS TOWARD NEW BELGIAN GOVERNMENT

Pierre Harmel, leader of the French-speaking segment of Belgium's Social Christian Party (PSC), has been named to organize a postelection government, but negotiations to that end are likely to be long and difficult. He is expected to try first to persuade the Socialist Party (PSB), his party's coalition partner before last month's election, and the Liberal Party (PLP), which scored large gains, to join the PSC in a new coalition. Such a government, he believes, would be the one most likely to enact the constitutional revisions which are needed to settle the bitter Walloon-Flemish linguistic dispute and which he reportedly feels are vital to the Belgian state.

Preliminary discussions indicate that the conservative PLP has sufficiently modified its long-standing opposition to all the suggested constitutional reforms to open the way for its

participation in the new government. Negotiations may well founder, however, on this issue or on others which separate the PLP from the other two major parties. In that event, the most likely alternative would be a reconstitution of the PSC-PSB coalition. This combination, however, would lack the parliamentary strength to enact the constitutional reforms desired by both parties.

One additional element which may drag out the coalition negotiations is the uncertainty of the Socialists, many of whom think the party should go into opposition in the wake of its poor showing in the May elections. In time, however, Foreign Minister Spaak and other Socialist leaders are likely to overcome these reservations and enter actively into the negotiations.

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### Western Hemisphere

#### SITUATION IN THE DOMINICAN REPUBLIC

The two-month-old Dominican crisis moved tentatively closer to a negotiated settlement on 23 June when both the rebel and the loyalist governments presented counterproposals to the OAS formula for a solution.

Both included demands clearly unacceptable to the other, but each indicated that the OAS committee had provided a reasonable basis for negotiation. The committee was encouraged that a settlement could be worked out.

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The Caamano regime's response to the OAS proposals was preceded by a lengthy preamble reasserting rebel claims that the US military intervention and the subsequent OAS actions were illegal acts. Two of the rebel demands would significantly reduce the role which the OAS expects the Inter-American Peace Force (IAPF) to perform in the coming months. The rebels insisted that the IAPF be evacuated from Dominican territory within one month of the installation of a provisional government, and that the weapons now in the hands of their forces be handed over, not to the OAS but to the provisional government. The rebels also made several demands which serve to emphasize their professed objective of assuring respect for human rights but which could impede any future government's efforts to protect itself against extremist subversion.

The Imbert government agreed to the OAS proposals "in principle" but insisted that it is itself a provisional regime ready to govern the country until after elections and that, therefore, it will resist being replaced by another one as the OAS proposed.

An important factor which brought the rebels toward a more conciliatory position was the shock produced by the strong response of US troops on 15 and 16

June to the rebel provocations. After that the deterioration of rebel morale and authority that had already been evident during the preceding days took a sharp downward plunge. Some of the commando units defending the rebel area seemed to be operating independently of the Caamano government, and there were indications of increasing extremist influence in the military and propaganda machinery of the rebel government.

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The rebels made one major effort last week to save the day-- and the effort failed. Against the wishes of some of the more moderate members of their movement, they called for a nationwide general strike to begin on 21 June. Very few Dominican workers responded to the call, and by 22 June only those at the sugar mill near La Romana were still

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effectively on strike. [redacted]

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[redacted] With  
the failure of the strike effort

and the occurrence of only minor antigovernment activity in the interior, the extremists--and the rebel movement as a whole--suffered another demoralizing setback. [redacted]

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**BOLIVIA PROCLAIMS "SECOND REPUBLIC"**

Bolivia remains calm, and there have been no disturbing new developments in the regime's dispute with the miners or in the power struggle between junta co-Presidents Barrientos and Ovando. A major political event was the announcement by the co-Presidents on 20 June that a Second Republic of Bolivia has been established. Reportedly, this will entail a total reorganization of the executive, legislative, and judicial branches, as well as bring about major social and economic changes in the country.

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[redacted]

All nationalized mines in Bolivia are still occupied by the military but no difficulties are anticipated between the miners and army troops. The army continues to confiscate the miners' weapons, and the departure of armed peasants from the mining centers has further relieved tension.

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**BRAZILIAN MILITARY DISTURBED BY RESURGENCE OF POLITICAL LEFT**

Brazilian military leaders, both supporters and opponents of President Castello Branco, are increasingly disturbed by the renewal of open leftist political activity. The Labor Party's nomination last week of Helio de Almeida, an associate of ex-President Goulart, as candidate for governor of Guanabara State has sharpened the military's sensitivity. As a result the government is again under pressure to place severe restrictions on the opposition.

There are other signs of a gradual return of leftist influences to the political scene. Several members of Goulart's administration have drifted back from exile and are attempting to arouse public opinion against the government. Public sentiment is growing for granting complete amnesties to former president Janio Quadros and others who lost their political rights during the purge that followed Goulart's overthrow.

Left-wing labor leaders are intensifying their activities. Pro-Communists are likely to win a large share of top positions in elections during the next few weeks in several major unions.

Radical leftists are also gradually regaining a dominant position in important student organizations. The number of antiregime demonstrations and strikes in the universities has increased sharply over the past few weeks.

The military realize that the leftists have virtually no chance of causing Castello Branco's downfall, but are concerned that they will attempt to discredit the revolution during the gubernatorial elections set for October in 11 of the 22 states. They also fear that the leftists may acquire sufficient status to allow them to team up with moderates and even rightists. There is considerable pressure, particularly from middle-grade officers, for action to bar the candidacy of Almeida and other unacceptable politicians and for renewing military investigations of left-wing elements.

President Castello Branco, aware of the rumblings in the armed forces, is planning to press for quick passage of an "ineligibilities law" that would prevent political "undesirables" and subversives from participating in elections. Despite the current discontent, Castello Branco still commands strong support among the military, and he will probably succeed in preventing any dissension from developing into a serious threat to his control.

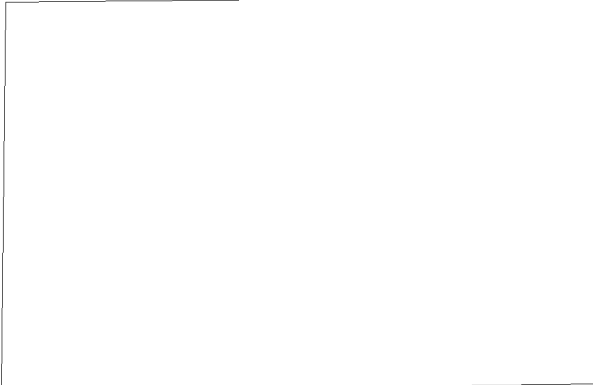
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**RESIGNATION OF COLOMBIAN FINANCE MINISTER**

The resignation on 20 June of Colombian Finance Minister Duran Dussan will probably further reduce public confidence in the government.



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Duran's resignation resulted from the government's rejection of his proposals for a tax on foreign exchange--which would have had an effect equivalent to currency devaluation. Although most officials from the international advisory agencies consider some form of devaluation imperative if the drain on foreign exchange is to be stemmed, President Valencia, fearful of the political consequences of such a move, announced in a public address on 18 June that he had "tabled" all plans for devaluation.

Since devaluation would no doubt have been generally unpopular, current public reaction is not directed as much against Valencia's stand as it is against government inability to grapple with critical economic problems. Congress was called into special session two months ago, in an earlier crisis, to consider 42 measures for economic reform,

but has thus far spent its time bickering about internal political measures. A month later, antigovernment agitation by Communist-front student groups led Valencia to declare a state of siege which is still in effect. Businessmen, leaders of organized labor, and the general public are becoming increasingly discontented, and the resignation of the finance minister and possibly other financial functionaries will aggravate the situation.

The acting president of the Colombian Workers' Confederation (CTC) recently told the US consul in Cali that the union would declare a general strike if the government did not enact at least some of the reforms his union demanded last January. He explained that workers feel a pronounced sense of insecurity as a result of the threatened contraction in production caused by shortages of imported raw materials and as crime and public disorders increase.

The union official believes CTC members would be able to strike, even under the state of siege, because they would not demonstrate or picket. They would simply stay home and refuse to go to their jobs. He acknowledged that discontented students and other Communist-influenced extremists might seize on the strike as a pretext to renew demonstrations against the government. This in turn could lead to a repetition of the widespread violence of the last two weeks of May.

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United Nations

**UNITED NATIONS FINANCE AND PEACEKEEPING**

The United Nations' Special Committee of 33 was as expected unable to come up with a specific solution of the organization's finance and peacekeeping problems, and has adjourned until August. In order to meet its 15 June deadline for reporting back to the General Assembly, the committee submitted an interim report cast in general terms, calling for "normalization" of the General Assembly's work--i.e., resumption of regular voting--and restoration of the UN's solvency through voluntary contributions. It also requested more time to devise a formula for future peacekeeping operations.

The most popular solution and one favored by the Soviets remains the Afro-Asian plan of December 1964, which calls for voluntary contributions and the setting aside of any question of applying Article 19 to delinquent members. In part because this formula is not acceptable to the US, however, the UK and Norway launched a campaign on 21 June for voluntary contributions "on an unconditional basis." Western UN members have so far

pledged about \$17 million against the deficit of more than \$100 million.

The British and Norwegians hope that other countries--including the USSR--will be persuaded to follow, thus staving off UN bankruptcy and perhaps facilitating the search for a compromise on peacekeeping arrangements. Other UN representatives do not share this optimism, and one member of the Australian mission feels that voluntary contributions by Western members at this stage could mean the loss of the only means at hand to press the Soviets to agree to pay regular budget assessments in the future.

The plan does seem to be having the effect of further weakening support for the US position. The Japanese have told the US mission that their soundings lead them to believe the Afro-Asian countries would be willing later this summer to press the USSR for a substantial contribution provided the US meanwhile will "privately" abandon its position on Article 19. The Japanese feel there is no other way to end the present US-Soviet stalemate.

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